

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Barton Hills Village	County Washtenaw
Audit Date 3/31/05	Opinion Date 6/30/05	Date Accountant Report Submitted to State: 7/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

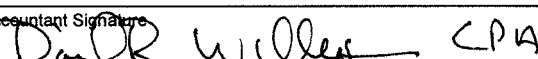
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Post, Smythe, Lutz, and Ziel, LLP			
Street Address 1034 West Ann Arbor Trail	City Plymouth	State MI	ZIP 48170
Accountant Signature  CPA		Date 7.28.05	

BARTON HILLS VILLAGE
Washtenaw County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended March 31, 2005

BARTON HILLS VILLAGE
For the Year Ended March 31, 2005

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FINANCIAL SECTION

POST, SMYTHE, LUTZ AND ZIEL LLP

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Independent Auditor's Report

June 30, 2005

To the Board of Trustees
Barton Hills Village
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Barton Hills Village, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Barton Hills Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Barton Hills Village as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barton Hills Village's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz & Ziel". The signature is written in a cursive, flowing style.

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of Barton Hills Village, we offer readers of Barton Hills Village's financial statements this narrative overview and analysis of the financial activities of Barton Hills Village for the fiscal year ended March 31, 2005.

Financial Highlights

- The assets of Barton Hills Village exceeded its liabilities at the close of the most recent fiscal year by \$1,565,251 (*net assets*). Of this amount, \$884,863 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Barton Hills Village's governmental funds reported combined ending fund balances of \$896,722, an increase of \$132,847 in comparison with the prior year. 100% of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$694,396, or 141 percent of total general fund expenditures.
- Barton Hills Village's total debt increased by \$909 (8.3 percent) during the current fiscal year. This debt consisted solely of accumulated unpaid sick and vacation pay.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Barton Hills Village's basic financial statements. Barton Hills Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Barton Hills Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Barton Hills Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Barton Hills Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of Barton Hills Village include general government, public safety, public works and other activities. The Village has no business-type activities.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Barton Hills Village, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Barton Hills Village are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Barton Hills Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Public Improvement Reserve Fund which are considered to be major funds.

Barton Hills Village adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the Public Improvement Reserve special revenue fund to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Barton Hills Village, assets exceeded liabilities by \$1,565,251 at the close of the most recent fiscal year.

A significant portion of Barton Hills Village's net assets (44 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment). Barton Hills Village used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Barton Hills Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental	
	2005	2004
Current and Other Assets	\$ 906,721	\$ 766,152
Capital Assets	680,388	694,669
Total Assets	1,587,109	1,460,821
Long-term Liabilities	11,859	10,950
Other Liabilities	9,999	2,277
Total Liabilities	21,858	13,227
Net Assets:		
Invested in Capital Assets		
net of related debt	680,388	694,669
Restricted	-	-
Unrestricted	884,863	752,925
Total Net Assets	\$ 1,565,251	\$ 1,447,594

The remaining, and largest portion of *unrestricted net assets* (\$884,863) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Barton Hills Village is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

The government's net assets increased by \$117,657 during the current fiscal year as shown in the table below, which will be comparative in fiscal year ending 2006:

	2005
Program Revenues:	
Charges for Services	\$ 93,089
Operating Grants & Contributions	13,681
General Revenues:	
Property Taxes	481,639
State Shared Revenues	25,587
Unrestricted Investment Earnings	11,924
Total Revenues	625,920
Program Expenses	
General Government	52,308
Public Safety	44,198
Highway and Streets	148,980
Public Works	99,313
Recreation and Cultural	22,716
Other	140,748
Total Expenses	508,263
Change in Net Assets	\$ 117,657

Governmental activities. Governmental activities increased Barton Hills Village's net assets by \$117,657, due to the fact that revenues exceeded expenses for current activities, and no unusual or non-recurring costs were incurred.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Funds

As noted earlier, Barton Hills Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Barton Hills Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Barton Hills Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Barton Hills Village's governmental funds reported combined ending fund balances of \$896,722, an increase of \$132,847 in comparison with the prior year. All of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Barton Hills Village. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$694,396. Unreserved fund balance represents 141 percent of total general fund expenditures.

The fund balance of Barton Hills Village's general fund increased by \$91,785 during the current fiscal year, as revenues exceed operating expenses and there were no significant capital expenditures.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget expenditures were \$206,440 (reduction) which was mainly the result of deferral of planned capital expenditures anticipated in the original budget.

Capital Asset and Debt Administration

Capital assets. Barton Hills Village's investment in capital assets for its governmental activities as of March 31, 2005, amounts to \$680,388 (net of accumulated depreciation). This investment in capital assets includes land, buildings water improvements, and equipment. No major capital asset events occurred during the current fiscal year.

Details to the Village's capital assets are continued in the notes to the financial statements on page 19.

Long-term debt. At the end of the current fiscal year, Barton Hills Village had total long term debt outstanding of \$11,859, all of which consist of accumulated unpaid sick and vacation pay.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2006 fiscal year. Significant capital expenditures are planned in 2005/2006:

Water Pump Improvements	\$ 12,500
Vehicles	47,000
Roads	50,000
Village Office	200,000

All of these improvements will be paid for out of accumulated resources.

These factors were considered in preparing Barton Hills Village's budget for the 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Barton Hills Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Barton Hills Village Board.

BASIC FINANCIAL STATEMENTS

BARTON HILLS VILLAGE
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 880,516
Receivables (net of allowance for uncollectibles):	
Accounts	6,889
Due from Other Governmental Units	1,269
Prepaid Expenditures	18,047
Capital Assets (Net of Accumulated Depreciation)	680,388
Total Assets	<u>1,587,109</u>
 <u>LIABILITIES</u>	
Accounts Payable	8,332
Deferred Revenue	1,667
Noncurrent Liabilities:	
Due in more than one year	11,859
Total Liabilities	<u>21,858</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	680,388
Unrestricted	884,863
Total Net Assets	\$ <u><u>1,565,251</u></u>

BARTON HILLS VILLAGE
Statement of Activities
For the Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
Governmental Activities:				
General Government	\$ 52,308	\$ 84,980	\$ -	\$ 32,672
Public Safety	44,198	-	-	(44,198)
Highways and Streets	148,980	-	-	(148,980)
Public Works	99,313	8,109	13,681	(77,523)
Recreation and Cultural	22,716	-	-	(22,716)
Other	140,748	-	-	(140,748)
Total Governmental Activities	<u>\$ 508,263</u>	<u>\$ 93,089</u>	<u>\$ 13,681</u>	<u>(401,493)</u>

General Revenues:	
Property Taxes	481,639
State Shared Revenue	25,587
Unrestricted Investment Earnings	11,924
Total General Revenues	<u>519,150</u>
Change in Net Assets	117,657
Net Assets - Beginning	<u>1,447,594</u>
Net Assets - Ending	<u>\$ 1,565,251</u>

BARTON HILLS VILLAGE
Balance Sheet
Governmental Funds
March 31, 2005

	<u>General</u>	<u>Public Improvement Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 679,459	\$ 111,761	\$ 89,296	\$ 880,516
Receivables (net of allowance for uncollectibles):				
Accounts	6,889	-	-	6,889
Due from Other Governmental Units	-	-	1,269	1,269
Prepaid Expenditures	<u>18,047</u>	<u>-</u>	<u>-</u>	<u>18,047</u>
Total Assets	\$ <u>704,395</u>	\$ <u>111,761</u>	\$ <u>90,565</u>	\$ <u>906,721</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 8,332	\$ -	\$ -	\$ 8,332
Deferred Revenue	<u>1,667</u>	<u>-</u>	<u>-</u>	<u>1,667</u>
Total Liabilities	<u>9,999</u>	<u>-</u>	<u>-</u>	<u>9,999</u>
Fund Balances:				
Unreserved :				
Designated for:				
Subsequent Year's Expenditures	200,000	-	-	200,000
Undesignated	<u>494,396</u>	<u>111,761</u>	<u>90,565</u>	<u>696,722</u>
Total Fund Balances	<u>694,396</u>	<u>111,761</u>	<u>90,565</u>	<u>896,722</u>
Total Liabilities and Fund Balances	\$ <u>704,395</u>	\$ <u>111,761</u>	\$ <u>90,565</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	680,388
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(11,859)</u>
Net Assets of Governmental Activities	\$ <u>1,565,251</u>

BARTON HILLS VILLAGE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2005

	<u>General</u>	<u>Public Improvement Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Property Taxes	\$ 481,639	\$ -	\$ -	\$ 481,639
Intergovernmental:				
Federal, State and Local	25,587	-	13,681	39,268
Lease Revenues	74,004	-	-	74,004
Charges for Services	8,109	-	-	8,109
Interest and Rent	9,543	1,249	1,132	11,924
Other	10,976	-	-	10,976
Total Revenues	<u>609,858</u>	<u>1,249</u>	<u>14,813</u>	<u>625,920</u>
<u>Expenditures</u>				
Current:				
General Government	51,567	-	-	51,567
Public Safety	42,646	-	-	42,646
Public Works	91,978	-	-	91,978
Highways and Streets	139,364	-	-	139,364
Recreation and Cultural	22,370	-	-	22,370
Other	140,748	-	-	140,748
Capital Outlay	4,400	-	-	4,400
Total Expenditures	<u>493,073</u>	<u>-</u>	<u>-</u>	<u>493,073</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>116,785</u>	<u>1,249</u>	<u>14,813</u>	<u>132,847</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	-	25,000	-	25,000
Transfers Out	(25,000)	-	-	(25,000)
Total Other Financing Sources and Uses	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	91,785	26,249	14,813	132,847
Fund Balances - Beginning	<u>602,611</u>	<u>85,512</u>	<u>75,752</u>	<u>763,875</u>
Fund Balances - Ending	<u>\$ 694,396</u>	<u>\$ 111,761</u>	<u>\$ 90,565</u>	<u>\$ 896,722</u>

BARTON HILLS VILLAGE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 132,847
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	(14,281)
Governmental funds do not report obligations that are not expected to be liquidated with current resources. This is the amount by which the vested accumulated sick and vacation pay increased in the current fiscal year, net of any payments.	<u>(909)</u>
Change in net assets in governmental activities	\$ <u>117,657</u>

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Barton Hills Village was incorporated on December 14, 1973. The Village government operates and maintains the water system and streets, provides police protection and certain other services formerly provided by Barton Hills Maintenance Corporation together with certain services previously provided by Ann Arbor Township.

The following organization is not a part of the Village and is excluded from the accompanying financial statements for the reasons stated.

Barton Hills Maintenance Corporation

- o Financed primarily through rental fees
- o Governing Board is elected by Village residents based upon stock ownership
- o Village has no obligation to fund deficits of the Corporation, nor is it responsible for approving the operating budget

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Governmental Funds

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Public Improvement Reserve Fund is a special revenue fund used to account for the activity of major public improvements.

In addition, the Village reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
– Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Village, as well as for its component units, are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at March 31, 2005.

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	40
Buildings	30
Equipment	3-25

4. Compensated Absences

Under agreements with employee groups, individual employees have a vested right to receive payments for unused vacation, sick leaves and other benefits under formulas and conditions specified in the agreements. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. This liability is composed of employees who retire and any unused vacation paid upon termination of employment. The total liability at March 31, 2005 is \$11,859.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." This difference is \$11,859, which consists solely of vested accumulated sick and vacation pay, which is not expected to be liquidated with current resources.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(14,281) difference are as follows:

Capital Outlay	\$ 33,234
Depreciation Expense	<u>(47,515)</u>
	<u>\$(14,281)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued

The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Village Charter requires one regular council meetings per month. By the March meeting, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required prior to March 31.
3. On or before March 31, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund budget is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2005 budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of March 31, 2005.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
Highways and Streets	\$135,600	\$139,364	\$ 3,764
Parks	21,500	22,370	870

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Village is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits are separately displayed on the balance sheets as "Cash and Cash Equivalents".

The carrying amount of the Village's deposits with financial institutions at March 31, 2005 was \$880,516 and the bank balance was \$907,415 categorized as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 127,991
Uninsured and Uncollateralized	<u>779,424</u>
Total	<u>\$ 907,415</u>

B. Capital Assets

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets, not depreciated:				
Land	<u>\$ 312,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,856</u>
Capital Assets, being depreciated:				
Buildings	278,201	4,400	-	282,601
Machinery and Equipment	81,989	-	-	81,989
Vehicles	150,689	28,834	-	179,523
Office Equipment	5,810	-	-	5,810
Infrastructure	<u>265,683</u>	<u>-</u>	<u>-</u>	<u>265,683</u>
	<u>782,372</u>	<u>33,234</u>	<u>-</u>	<u>815,606</u>
Less: Accumulated Depreciation:				
Buildings	(181,871)	(4,329)	-	(186,200)
Machinery and Equipment	(34,496)	(5,838)	-	(40,334)
Vehicles	(71,453)	(29,964)	-	(101,417)
Office Equipment	(1,484)	(742)	-	(2,226)
Infrastructure	<u>(111,255)</u>	<u>(6,642)</u>	<u>-</u>	<u>(117,897)</u>
	<u>(400,559)</u>	<u>(47,515)</u>	<u>-</u>	<u>(448,074)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 694,669</u>	<u>\$(14,281)</u>	<u>\$ -</u>	<u>\$ 680,388</u>

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets - Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 742
Public Safety	1,552
Public Works	7,335
Highways and Streets	37,540
Recreation and Cultural	<u>346</u>
Total	<u>\$ 47,515</u>

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

There are no interfund receivables and payables at March 31, 2005.

D. Lease-Barton Hills Maintenance Corporation

Effective December 15, 1973, the Village entered into a lease covering the roads, paths, lanes, walkways, easements, water supply system, parks and certain other assets owned by Barton Hills Maintenance Corporation. The lease was renewed effective May, 1995 for a period of five years and automatically renewed thereafter until a revised agreement is prepared and executed by the parties as a replacement. Payments under the lease terms aggregated \$21,322 during the year ended March 31, 2005 and was provided from the General Fund.

E. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2005:

Accumulated Unpaid Vested Employee Compensation Payable at April 1, 2004	\$ 10,950
Increase in Vested Employee Compensation	<u>909</u>
Accumulated Unpaid Vested Employee Compensation Payable at March 31, 2005	<u>\$ 11,859</u>

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

F. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at March 31, 2005, is presented below:

	<u>General</u>	<u>Special Revenue</u>
<u>Unreserved Fund Balance:</u>		
Designated For Subsequent Year Expenditures	\$ 200,000	\$ -
Undesignated	<u>494,396</u>	<u>202,326</u>
Total Fund Balance	<u>\$ 694,396</u>	<u>\$ 202,326</u>

G. Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31. Taxes are levied on July 1 of the following year. The Village bills and collects its own property taxes which are accounted for in the General Fund. Village property tax revenues are recognized in the current year as revenue in accordance with the guidelines of the State of Michigan.

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. It would also appear to have unlimited taxing power to levy for certain contractual debt subject to constitutional limitations.

	<u>Per \$1,000 of State Equalized Value</u>
Authorized Rate (Pre-Rollback)*	20.0000
Authorized Rate (Post-Rollback)*	12.2611
Taxes Levied 2004 Roll	10.0000
Tax Margin	2.2611

*Rollback refers to required reduction in millage rates to comply with provisions of state law.

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

H. Employee Retirement Systems and Plans

Defined Benefit Plan

1. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers all full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2003.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to the System at 447 N. Canal St., Lansing, Michigan 48917-9755.

2. Funding Policy

The obligation to contribute to and maintain the system for these employees was established as part of the Village's personnel policy. The Village is required to contribute at an actuarially determined rate; the current rate of 7.54% was a percentage of annual compensation at December 31, 2002.

3. Annual Pension Cost

During the fiscal year ended March 31, 2005, the Village's contributions totaling \$9,876 made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

H. Employee Retirement Systems and Plans - Continued

Defined Benefit Plan - Continued

3. Annual Pension Cost - Continued

entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Fiscal Year Ended <u>June 30,</u>	Valuation Date <u>Dec. 31</u>	<u>Trend Information</u>		
		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	1996	\$ 1,824	100%	\$-0-
1999	1997	-0-	100%	-0-
2000	1998	7,620	100%	-0-
2001	1999	10,658	100%	-0-
2002	2000	7,957	100%	-0-
2003	2001	8,572	100%	-0-
2004	2002	9,876	100%	-0-

V. OTHER INFORMATION

A. Risk Management

The Village of Barton Hills is a member of the Michigan Municipal Liability and Property Pool for its general liability insurance coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The Village pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Village of Barton Hills and the pools to which it belongs in any of the past three fiscal years.

VILLAGE OF BARTON HILLS
Notes to Financial Statements
March 31, 2005

V. OTHER INFORMATION - Continued

B. Property Tax Appeals

Utility companies appealed tax assessments for 1997-2003, claiming that the State Tax Commission revised depreciation tables that were adopted in 1999 had retroactive effect. The Village along with Washtenaw County has defended the action, but the case remains unsettled, as is the case statewide. The Village attorney is unable to determine the probable results for the tax amounts in question. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Barton Hills Village
Required Supplemental Information
Defined Benefit Pensions Plans Trend Information (Unaudited)
March 31, 2005

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/97	\$274,191	\$233,633	\$(50,558)	123%	\$128,769	0%
12/31/98	296,413	292,891	(3,521)	101	108,810	0
12/31/99	327,551	363,773	36,222	90	144,789	25
12/31/00	351,713	379,829	28,116	93	116,177	24
12/31/01	372,905	410,819	37,914	91	121,100	31
12/31/02	377,496	439,663	62,167	86	125,662	49
12/31/03	398,503	475,356	76,853	84	131,066	59

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2003, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50-8.66%
Includes inflation at 4.5%	
Cost of living adjustments	None

BARTON HILLS VILLAGE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Current Taxes	\$ 481,600	\$ 481,639	\$ 481,639	\$ -
State Shared Revenues	16,000	21,000	25,587	4,587
Water Services	8,000	8,110	8,109	(1)
Lease Revenue	74,000	74,000	74,004	4
Interest Earned	3,000	16,590	9,021	(7,569)
Interest & Penalties	-	-	522	522
Miscellaneous Revenues	4,460	8,780	10,976	2,196
Total Revenues	<u>587,060</u>	<u>610,119</u>	<u>609,858</u>	<u>(261)</u>
Expenditures:				
General Government:				
President	8,000	8,000	7,667	333
Election Department	1,000	1,000	144	856
Attorney	14,000	14,000	7,343	6,657
Clerk	8,085	8,385	8,344	41
Treasurer	29,200	29,000	28,069	931
Total General Government	<u>60,285</u>	<u>60,385</u>	<u>51,567</u>	<u>8,818</u>
Public Safety:				
Law Enforcement	42,000	43,700	38,932	4,768
Fire Department Services	6,400	4,120	3,714	406
Total Public Safety	<u>48,400</u>	<u>47,820</u>	<u>42,646</u>	<u>5,174</u>
Highways and Streets	<u>179,300</u>	<u>135,600</u>	<u>139,364</u>	<u>(3,764)</u>
Parks	<u>31,300</u>	<u>21,500</u>	<u>22,370</u>	<u>(870)</u>
Sanitation	<u>39,900</u>	<u>36,400</u>	<u>36,344</u>	<u>56</u>
Water Department	<u>56,750</u>	<u>64,560</u>	<u>55,634</u>	<u>8,926</u>
Capital Outlay	<u>164,000</u>	<u>4,400</u>	<u>4,400</u>	<u>-</u>
Other Functions:				
Fringe Benefits:				
Employee Housing Costs	17,600	17,000	12,118	4,882
Retirement	14,000	11,000	9,876	1,124
Hospitalization Insurance	44,000	44,000	38,998	5,002
Social Security	13,870	14,000	13,667	333
Other Fringe Benefits	1,500	800	270	530
Total Fringe Benefits	<u>90,970</u>	<u>86,800</u>	<u>74,929</u>	<u>11,871</u>
Insurance and Bonds	42,000	48,200	44,497	3,703
Miscellaneous	200	-	-	-
Property Lease	21,000	22,000	21,322	678
Total Other Functions	<u>154,170</u>	<u>157,000</u>	<u>140,748</u>	<u>16,252</u>
Total Expenditures	<u>734,105</u>	<u>527,665</u>	<u>493,073</u>	<u>34,592</u>
Excess (Deficiency) of Revenues Over Expenditures	(147,045)	82,454	116,785	34,331
Other Financing Uses:				
Operating Transfers Out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	\$ <u>(172,045)</u>	\$ <u>57,454</u>	91,785	\$ <u>34,331</u>
Fund Balance - April 1			<u>602,611</u>	
Fund Balance - March 31			\$ <u>694,396</u>	

Barton Hills Village
Public Improvement Reserve Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Interest Earned	\$ 500	\$ 1,249	\$ 1,249	\$ -
Other Financing Sources (Uses):				
Operating Transfers In	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and other Financing Sources over Expenditures	\$ <u>25,500</u>	\$ <u>26,249</u>	26,249	\$ <u>-</u>
Fund Balance - April 1			<u>85,512</u>	
Fund Balance - March 31			\$ <u>111,761</u>	

OTHER SUPPLEMENTARY INFORMATION

Barton Hills Village
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005

	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 66,693	\$ 22,603	\$ 89,296
Due From Other Governmental Units	952	317	1,269
Total Assets	\$ <u>67,645</u>	\$ <u>22,920</u>	\$ <u>90,565</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund Balance:			
Unreserved	\$ <u>67,645</u>	\$ <u>22,920</u>	\$ <u>90,565</u>

Barton Hills Village
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2005

	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues:</u>			
Intergovernmental	\$ 10,261	\$ 3,420	\$ 13,681
Interest	860	272	1,132
Total Revenues	<u>11,121</u>	<u>3,692</u>	<u>14,813</u>
 Fund Balance, April 1	 <u>56,524</u>	 <u>19,228</u>	 <u>75,752</u>
Fund Balance, March 31	\$ <u><u>67,645</u></u>	\$ <u><u>22,920</u></u>	\$ <u><u>90,565</u></u>